

**LOWELL AREA SCHOOLS**  
**Kent and Ionia Counties, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2008

**LOWELL AREA SCHOOLS**  
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For the year ended June 30, 2008

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## **FINANCIAL SECTION**

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

October 28, 2008

The Board of Education  
Lowell Area Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lowell Area Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Lowell Area Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008 on our consideration of Lowell Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lowell Area Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungerford, Aldrin, Nichols & Carter, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



As management of the Lowell Area Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the district, reporting the District’s operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Other Supplemental Information follows and includes combining and individual fund statements.

### **District-Wide Statements**

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net assets, and how they have changed. Net assets - the difference between the District’s assets and liabilities - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.



In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

### Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	2008	2007
<b>Assets</b>		
Current assets	\$ 22,562,825	\$ 11,638,034
Net capital assets	38,966,920	38,805,701
<b>Total Assets</b>	<b>61,529,745</b>	<b>50,443,735</b>
<b>Liabilities</b>		
Current liabilities	15,945,987	14,126,006
Long-term liabilities	46,056,684	40,048,143
<b>Total Liabilities</b>	<b>62,002,671</b>	<b>54,174,149</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(4,510,960)	(6,853,216)
Restricted	392,542	678,945
Unrestricted	3,645,492	2,443,857
<b>Total Net Assets</b>	<b>\$ (472,926)</b>	<b>\$ (3,730,414)</b>



The Statement of Activities presents changes in net assets for operating results:

**Changes in Net Assets from Operating Results**

	<u>2008</u>	<u>2007</u>
<b>Program Revenues</b>		
Charges for services	\$ 1,369,008	\$ 1,431,450
Operating grants	4,931,619	4,603,007
<b>General Revenues</b>		
Property taxes	8,217,750	7,893,642
State school aid, unrestricted	25,190,329	24,859,156
Interest and investment earnings	511,044	270,165
Gain (loss) on sale of capital assets	(4,321)	(19,601)
Other	671,561	889,320
<b>Total Revenues</b>	<u>40,886,990</u>	<u>39,927,139</u>
<b>Expenses</b>		
Instruction	19,409,443	19,372,506
Supporting services	14,110,955	12,536,646
Community services	409,328	435,750
Food service	1,338,667	1,243,022
Athletics	664,428	697,987
Other	31,838	23,264
Interest on long-term debt	1,664,843	712,382
<b>Total Expenses</b>	<u>37,629,502</u>	<u>35,021,557</u>
Increase in net assets	3,257,488	4,905,582
<b>Net Assets, Beginning of Year</b>	<u>(3,730,414)</u>	<u>(8,635,996)</u>
<b>Net Assets, End of Year</b>	<u>\$ (472,926)</u>	<u>\$ (3,730,414)</u>

**Financial Analysis of the District as a Whole**

Total revenues exceeded expenditures by \$3,257,488, reducing the deficit in total net assets to \$472,926. Unrestricted net assets increased by \$1,201,635, to \$3,645,492 at June 30, 2008.

The District's financial position is the product of many factors. Student numbers were stable from the previous year while the State per-pupil allocation increased by \$119. In addition, the District incorporated over \$700,000 in expenditure cuts in its original 2007-08 budget. In 2004-05 the District entered into an agreement with the teacher's union to offer a severance package to teachers with ten or more years of service. The total cost of the severance package (granted in June, 2005) is \$557,420 for each of three years, beginning in 2005-06. This obligation has been met for this school year and is now concluded.

The District's total revenues increased 2.4 percent to \$40.9 million. Property taxes and state aid accounted for most of the District's revenue, contributing 82 cents of every dollar collected. Another 12 percent came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources.



The total cost of all programs and services increased approximately 7 percent to \$37.6 million, due mainly to changes in support services. This includes early payoff of bus loans, replacement of retired buses, and increased costs in special education transportation. The District also refinanced a portion of their long-term debt and sold new bonds, with both events incurring additional up-front costs to the District. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (67 percent). The District's administrative and business activities accounted for 9 percent of total costs. Operation and maintenance costs accounted for another 8 percent of total costs.

The District continues to monitor the State economy and District budget and demographics in an attempt to protect academic programs and opportunities during challenging economic times. Regular updates on the budget and District finances were provided to the Board of Education, community groups, staff, and parents.

- Information was available to community members and parents via the local cable channel, where monthly Board of Education meetings were broadcast. At each monthly Board meeting and at the monthly Board workshop meetings, budget information was shared. The Board was kept updated on the changing economy and the impact on the 2007-08 budget.
- The Superintendent and/or designees continue to communicate throughout the year with parents and community members to share information vital to their understanding of the operations of the District.
- Information was also shared throughout the year through Family Links (parent support groups), the Lowell Area Schools website, a school newsletter distributed to families living within the Lowell community, and monthly to the Lowell Chamber of Commerce.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.



## **Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Lowell Area Schools' funds are described as follows:

### **Major Funds**

#### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$33,890,512, other financing sources (loan proceeds for the purchase of buses) of \$268,000, total expenditures of \$33,243,066, and other financing uses (contribution to the Athletic Fund) of \$326,000. It ended the fiscal year with a fund balance of \$4,010,293, an increase of \$589,446 over the June 30, 2007 balance.

#### 2007 Construction Fund

The District issued \$10,925,000 of general obligation building and site bonds in 2007-08, which were deposited in the 2007 Construction Fund along with \$14,179 of bond premium. Interest earnings totaled \$239,703 for the fiscal year. Fund expenditures totaled \$2,476,346 for the fiscal year, including \$181,677 of bond issuance costs. The ending fund balance at June 30, 2008, to be used for future construction and equipment costs, totaled \$8,702,536.

### **Nonmajor Funds**

#### Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs:

- Total revenue for the Food Service Fund was \$1,255,429, with total expenditures of \$1,290,625 and a June 30, 2008 fund balance of \$138,787.
- Total revenue for the Athletic Fund was \$256,389 with additional General Fund contributions of \$326,000. Total expenditures were \$594,713, with seventy-five percent (75%) dedicated to salaries and benefits. The fund balance decreased from \$13,680 to \$1,356 for the year ended June 30, 2008.

#### Debt Service Funds

The District operates five Debt Service Funds. Total revenues for the funds were \$5,206,411. Total expenditures were \$5,081,452. Refunding bond proceeds and premium totaled \$8,142,815 and payments to the escrow agent for the 1997 bond refunding totaled 8,270,070. The ending fund balances in the Debt Service Funds were \$629,740.

#### Capital Projects Fund

The District operates one Capital Projects Fund, the 2004 Construction Fund. Total revenues for the fund were \$2,286 and total expenditures were \$154,288. The ending fund balance in the 2004 Construction Fund was zero and the fund was closed as of June 30, 2008.

#### Fiduciary Funds

The Student Activity Fund, Flexible Benefits Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students and employees. Balances on hand at June 30, 2008 totaled \$1,092,013.



### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times after the June, 2007 adoption. These budget amendments fall into two categories:

- Changes made in December, 2007 to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.
- Final changes made in June to reflect actual revenue and expenditures anticipated at June 30, 2008.

Although the District's final budget for the General Fund anticipated that revenue would exceed expenditures by \$426,937, the actual results for the year show an increase of \$589,446:

- Actual revenues were \$145,918 higher than expected, due primarily to KISD reimbursements and State Aid adjustments.
- Actual expenditures were \$162,509 below budget, due primarily to cost controls and close budget monitoring.

### Capital Asset and Debt Administration

#### Capital Assets

By the end of 2008, the District had invested \$61.1 million in a broad range of capital assets, including land, school buildings, athletic facilities, school buses, and furniture and equipment. This amount represents a minimal increase of roughly \$900,000 or 1.5 percent from last year. (More detailed information about capital assets can be found in Note E in the notes to basic financial statements.) Total depreciation expense for the year was \$1.27 million.

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$38.97 million. This represents an increase of approximately \$160,000 from the previous year-end.

Land	\$	1,272,546
Construction in progress		882,656
Land improvements		534,953
Buildings		34,898,558
Furniture and equipment		505,237
Vehicles		872,970
		<hr/>
<b>Net Capital Assets</b>	<b>\$</b>	<b>38,966,920</b>
		<hr/>



## **Long-Term Debt**

At year end, the District had \$50.7 million in general obligation bonds and other long-term debt outstanding – a net increase of \$5.8 million from last year.

- The District continued to pay down its debt, retiring \$12.61 million of outstanding bonds and installment purchase agreements.
- The District issued new general obligation bonds this year in the amount of \$10,925,000.
- The outstanding balance of the 1997 bond issue was refunded during the year, resulting in a present value savings in future principal and interest costs of \$237,231.

As of June 30, 2008, the District's outstanding Unlimited Tax General Obligation Bonds have the bond ratings of "Aaa" / "AAA" by Moody's Investors Service and Standard and Poor's, respectively. These bond ratings reflect that the District's Unlimited Tax General Obligation Bonds are fully qualified for the Michigan School Bond Loan Fund Program, a State constitutional credit enhancement program. The underlying bond ratings for such bond issues is "A3" / "A", respectively, without regard to such participation in the Michigan School Bond Loan Fund Program. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive, compensated absences, and accumulated vacation days. We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State of Michigan continues to encounter economic difficulties and struggles with declining revenues and increased demands from many sources. As a result, the general and school aid funds at the State level are both impacted, which in turn affects school districts across the State.
- State mandates, projected for the 2009-2010 school year will force the district to either add over \$1,200,000 in additional salaries and staffing, or reduce salaries and staffing expenditures in approximately the same amount.
- The rising cost of employee retirement, controlled by the State, is a significant cause for concern into the future. For every dollar paid to employees throughout the year, the District pays a percentage into the Michigan Public Schools Employee Retirement System (MPERS). Since 2006, the retirement rate has decreased from 17.74% to 16.54%. This has helped to offset the difference between increased expenses and minimal state funding increases. The projection for this rate, due to the economy, retirements, and fewer positions being filled across the state (thus loss of replaced revenue), is for significant increases in the upcoming years. Potential future increases of this percentage are a concern.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Lowell Area Schools, 300 High Street, Lowell, MI 49331 via e-mail to the attention of John Zielinski, Chief Financial Officer - [jzielinski@lowellschools.com](mailto:jzielinski@lowellschools.com).

## **BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash equivalents, deposits and investments (Note B)	\$ 16,196,708
Taxes receivable (Note C)	20,161
Accounts receivable	12,067
Due from other governmental units (Note C)	5,230,147
Accrued interest receivable	201,264
Inventory (Note A)	53,538
Prepaid expenses	97,042
Unamortized bond issue costs	751,898
<b>Total Current Assets</b>	<u>22,562,825</u>
<b>Noncurrent Assets</b>	
Capital assets (Note E)	61,181,098
Less accumulated depreciation	<u>(22,214,178)</u>
<b>Total Noncurrent Assets</b>	<u>38,966,920</u>
<b>Total Assets</b>	<u>61,529,745</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	1,958,884
State aid loan payable (Note F)	3,500,000
Due to other governmental units	900,237
Accrued interest payable	3,088,586
Salaries payable	1,820,133
Current portion of long term obligations	4,678,147
<b>Total Current Liabilities</b>	<u>15,945,987</u>
<b>Noncurrent Liabilities (Notes A, G)</b>	
General obligation bonds payable	48,398,310
Durant non-plaintiff bonds payable	351,677
Energy conservation bonds payable	1,475,000
Accumulated vacation pay	116,987
Accumulated sick leave	392,857
Current portion of long term obligations	<u>(4,678,147)</u>
<b>Total Noncurrent Liabilities</b>	<u>46,056,684</u>
<b>Total Liabilities</b>	<u>62,002,671</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(4,510,960)
Restricted for:	
Debt service	392,542
Unrestricted	<u>3,645,492</u>
<b>Total Net Assets</b>	<u><u>\$ (472,926)</u></u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 19,409,443	\$ 66,472	\$ 3,546,120	\$(15,796,851)
Supporting services	14,110,955	123,770	902,653	(13,084,532)
Community services	409,328	157,450	-	(251,878)
Food service	1,338,667	766,460	482,846	(89,361)
Athletics	664,428	254,856	-	(409,572)
Other	31,838	-	-	(31,838)
Interest on long-term debt	1,664,843	-	-	(1,664,843)
<b>Total Governmental Activities</b>	<b>\$ 37,629,502</b>	<b>\$ 1,369,008</b>	<b>\$ 4,931,619</b>	<b>(31,328,875)</b>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				3,089,302
Property taxes, levied for debt service				5,128,448
State school aid, unrestricted				25,190,329
Interest and investment earnings				511,044
Loss on disposition of capital assets				(4,322)
Other				671,562
<b>Total General Revenues</b>				<b>34,586,363</b>
<b>Change in Net Assets</b>				<b>3,257,488</b>
<b>Net Assets - Beginning of Year</b>				<b>(3,730,414)</b>
<b>Net Assets - End of Year</b>				<b>\$ (472,926)</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	General Fund	2007 Construction	Nonmajor	Total
<b>Assets</b>				
Cash equivalents, deposits and investments (Note B)	\$ 5,554,439	\$ 9,922,533	\$ 719,736	\$16,196,708
Taxes receivable (Note C)	14,463	-	5,698	20,161
Accounts receivable	4,781	-	2,286	7,067
Due from other funds (Note D)	5,000	-	169,957	174,957
Due from other governmental units (Note C)	5,220,195	-	9,952	5,230,147
Accrued interest receivable	7,545	193,719	-	201,264
Inventory (Note A)	42,160	-	11,378	53,538
Prepaid expenditures	37,042	-	60,000	97,042
<b>Total Assets</b>	<b>\$10,885,625</b>	<b>\$10,116,252</b>	<b>\$ 979,007</b>	<b>\$21,980,884</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 515,965	\$ 1,413,716	\$ 29,203	\$ 1,958,884
State aid loan payable (Note F)	3,500,000	-	-	3,500,000
Due to other funds (Note D)	1,165	-	168,792	169,957
Due to other governmental units	899,173	-	1,064	900,237
Accrued interest payable	128,800	-	-	128,800
Salaries payable	1,815,766	-	4,367	1,820,133
Deferred revenue	14,463	-	5,698	20,161
<b>Total Liabilities</b>	<b>6,875,332</b>	<b>1,413,716</b>	<b>209,124</b>	<b>8,498,172</b>
<b>Fund Balances</b>				
Reserved for:				
Debt service	-	-	629,740	629,740
Capital outlay	-	8,702,536	-	8,702,536
Unreserved:				
Undesignated, reported in:				
General fund	4,010,293	-	-	4,010,293
Special revenue funds	-	-	140,143	140,143
<b>Total Fund Balances</b>	<b>4,010,293</b>	<b>8,702,536</b>	<b>769,883</b>	<b>13,482,712</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$10,885,625</b>	<b>\$10,116,252</b>	<b>\$ 979,007</b>	<b>\$21,980,884</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2008**

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<b>Total governmental fund balances</b>			<b>\$ 13,482,712</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$61,181,098 and accumulated depreciation is \$22,214,178.			
			38,966,920
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			751,898
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds	\$ (48,398,310)		
Durant non-plaintiff bonds	(351,677)		
Energy conservation bonds	(1,475,000)		
Accumulated vacation pay	(116,987)		
Accumulated sick leave	(392,857)		
			(50,734,831)
Accrued interest is not included as a liability in governmental funds.			
			(2,959,786)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			20,161
<b>Total Net Assets - Governmental Activities</b>			<b>\$ (472,926)</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2008**

	General Fund	2007 Construction	Nonmajor	Total
<b>Revenues</b>				
Local sources	\$ 4,251,410	\$ 239,703	\$ 6,237,669	\$10,728,782
State sources	26,562,139	-	68,749	26,630,888
Federal sources	1,175,167	-	414,097	1,589,264
Interdistrict sources	1,901,796	-	-	1,901,796
<b>Total Revenues</b>	<u>33,890,512</u>	<u>239,703</u>	<u>6,720,515</u>	<u>40,850,730</u>
<b>Expenditures</b>				
Current:				
Instruction	19,123,744		-	19,123,744
Supporting services	12,898,080		-	12,898,080
Community services	376,686		-	376,686
Food service	-		1,290,625	1,290,625
Athletics	-		594,713	594,713
Capital outlay	-	2,294,669	154,288	2,448,957
Debt service:				
Principal repayment	760,675		3,785,000	4,545,675
Interest and fiscal charges	83,881		1,203,648	1,287,529
Bond issuance costs	-	130,876	53,279	184,155
Underwriter's discount	-	50,801	39,525	90,326
<b>Total Expenditures</b>	<u>33,243,066</u>	<u>2,476,346</u>	<u>7,121,078</u>	<u>42,840,490</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>647,446</u>	<u>(2,236,643)</u>	<u>(400,563)</u>	<u>(1,989,760)</u>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	-	10,925,000	7,905,000	18,830,000
Loan proceeds	268,000	-	-	268,000
Bond premium	-	14,179	237,815	251,994
Transfers in	-		326,000	326,000
Transfers out	(326,000)		-	(326,000)
Payments to escrow agent	-		(8,270,070)	(8,270,070)
<b>Total Other Financing Sources (Uses)</b>	<u>(58,000)</u>	<u>10,939,179</u>	<u>198,745</u>	<u>11,079,924</u>
<b>Net Change in Fund Balances</b>	589,446	8,702,536	(201,818)	9,090,164
<b>Fund Balances, Beginning of Year</b>	<u>3,420,847</u>	<u>-</u>	<u>971,701</u>	<u>4,392,548</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 4,010,293</u></u>	<u><u>\$ 8,702,536</u></u>	<u><u>\$ 769,883</u></u>	<u><u>\$13,482,712</u></u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2008**

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**Net change in fund balances - total governmental funds** **\$ 9,090,164**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlays	\$ 1,414,581	
Depreciation expense	<u>(1,273,237)</u>	141,344

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead considered deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (3)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. 216,816

In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold/retired. 19,875

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (19,098,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of bonds	11,845,000	
Repayment of energy conservation bonds	215,000	
Repayment of installment purchase agreements	<u>545,966</u>	12,605,966

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (377,314)

In the Statement of Net Assets, early retirement incentive, accumulated sick/vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$899,343) exceeded the amounts earned (\$240,703). 658,640

**Total change in net assets - governmental activities** **\$ 3,257,488**

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 4,426,371	\$ 4,224,205	\$ 4,251,410	\$ 27,205
State sources	24,378,380	26,511,440	26,562,139	50,699
Federal sources	1,072,160	1,169,242	1,175,167	5,925
Interdistrict sources	2,698,376	1,839,707	1,901,796	62,089
<b>Total Revenues</b>	<b>32,575,287</b>	<b>33,744,594</b>	<b>33,890,512</b>	<b>145,918</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	15,633,118	15,464,457	15,436,066	28,391
Added needs	3,583,109	3,676,519	3,686,818	(10,299)
Adult education services	-	861	860	1
Supporting services:				
Pupil services	1,792,335	1,793,528	1,745,391	48,137
Instructional staff services	1,008,827	1,169,581	1,173,632	(4,051)
General administrative services	510,502	460,785	460,533	252
School administrative services	2,063,802	1,995,306	1,994,946	360
Business services	820,560	845,529	859,156	(13,627)
Operation and maintenance services	3,128,121	2,871,414	2,867,772	3,642
Pupil transportation services	3,030,543	3,193,741	3,234,995	(41,254)
Central services	590,371	565,862	561,655	4,207
Community services	414,080	377,477	376,686	791
Debt service:				
Principal repayment	415,696	760,676	760,675	1
Interest and fiscal charges	81,289	83,921	83,881	40
<b>Total Expenditures</b>	<b>33,072,353</b>	<b>33,259,657</b>	<b>33,243,066</b>	<b>16,591</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>(497,066)</b>	<b>484,937</b>	<b>647,446</b>	<b>162,509</b>
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	268,000	268,000	268,000	-
Transfers out	(322,011)	(326,000)	(326,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(54,011)</b>	<b>(58,000)</b>	<b>(58,000)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(551,077)</b>	<b>426,937</b>	<b>589,446</b>	<b>162,509</b>
<b>Fund Balances, July 1</b>	<b>3,420,847</b>	<b>3,420,847</b>	<b>3,420,847</b>	<b>-</b>
<b>Fund Balances, June 30</b>	<b>\$ 2,869,770</b>	<b>\$ 3,847,784</b>	<b>\$ 4,010,293</b>	<b>\$ 162,509</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2008**

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	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash equivalents, deposits and investments (Note B)	\$ 838,957	\$ 253,056
	<u>                    </u>	<u>                    </u>
<b>Liabilities</b>		
Due to other funds (Note D)	\$ 5,000	\$ -
Due to student groups	-	253,056
Due to employees	42,832	-
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>47,832</u>	<u>\$ 253,056</u>
<b>Net Assets</b>		
Held in trust for:		
Individuals and organizations	<u>\$ 791,125</u>	

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2008**

	Private Purpose Trust Fund
<b>Additions</b>	
Donations	\$ 3,384
Interest earnings	35,204
<b>Total Additions</b>	38,588
<b>Deductions</b>	
Endowment activities - scholarships	30,155
<b>Change In Net Assets</b>	8,433
<b>Net Assets, Beginning of Year</b>	782,692
<b>Net Assets, End of Year</b>	\$ 791,125

See accompanying notes to basic financial statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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## **Note A – Summary of Significant Accounting Policies**

Lowell Area Schools was organized under the School Code of the State of Michigan, and services a population of approximately 3,892 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Lowell Area Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. District-Wide and Fund Financial Statements**

**District-Wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2007 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

#### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletic Funds.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Lowell Area Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Lowell Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Associate Superintendent for Finance to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

#### **5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

#### **6. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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**7. Inventory**

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

**8. Capital Assets**

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

**9. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**10. Accumulated Vacation Pay and Sick Leave**

Accumulated vacation pay and sick leave at June 30, 2008 have been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused vacation and sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for accumulated vacation pay and accumulated sick leave amounted to \$116,987 and \$392,857, respectively.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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**11. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**13. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools authorized by the Surplus Funds Investment Pool Act.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 16,196,708
Fiduciary Funds:	
Trust and Agency Funds	<u>1,092,013</u>
	<u>\$ 17,288,721</u>

Depositories actively used by the District during the year are detailed as follows:

1. Huntington National Bank

Cash equivalents consist of bank public funds checking accounts. Deposits consist of certificates of deposit.

June 30, 2008 balances are detailed as follows:

Cash equivalents	\$ 4,760,748
Deposits	<u>12,494,764</u>
	<u>\$ 17,255,512</u>

*Custodial Credit Risk Related to Deposits*

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$17,255,512 and the bank balance was \$17,724,763. Of the bank balance, \$695,366 was covered by federal depository insurance and \$17,029,397 was uninsured.

**Investments**

As of June 30, 2008 the District had the following investments:

	<u><b>Fair Value</b></u>
United States Treasury:	
Bank of New York	<u>\$ 33,209</u>

*Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by State law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements and by investing operating funds primarily in shorter term investments under 365 days. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 18 months from the date of purchase. Reserve funds may be invested in securities exceeding 18 months if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

*Concentration of Credit Risk*

The District minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. Excluding U.S. Government guaranteed investments, and mutual fund and pooled investments, no single investment exceeded 5% of total investments at June 30, 2008.

*Foreign Currency Risk*

The District is not authorized to invest in investments which have this type of risk.

## **Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Lowell Area School District, and paid to the State of Michigan, totaled \$4,356,959.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Lowell Area Schools was \$7,204 for 3,877 "Full Time Equivalent" students, generating \$25,723,961 in State aid payments to the District of which \$4,677,940 was paid to the District in July and August, 2008 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy by the City of Lowell and the Townships of Ada, Bowne, Cannon, Cascade, Grattan, Lowell, Vergennes, Boston, Campbell and Keene, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Ionia, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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<b>Tax Year</b>	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
2007	\$ 4,567	\$ 1,997	\$ 6,564
2006	7,537	2,714	10,251
2005	2,359	987	3,346
	<hr/>	<hr/>	<hr/>
	\$ 14,463	\$ 5,698	\$ 20,161

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Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Lowell Area Schools' electors had previously (May 2, 2006) approved an operating millage extension for the 18 mill non-homestead property tax, which was levied in 2007-08 for operating purposes.

The District levied 7.0 mills in 2007-08 for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

#### **Note D – Interfund Receivables/Payables and Transfers**

Amounts due from (to) other funds representing interfund receivables and payables for cash flow advances at June 30, 2008 are detailed as follows:

	<b>Due From</b>	<b>Due To</b>
<b>General Fund:</b>		
Trust and Agency Funds:		
Flexible Benefits Fund	\$ 5,000	\$ —
Debt Service Funds:		
2007 Debt Service Fund	—	1,165

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

	<u>Due From</u>	<u>Due To</u>
<b>Debt Service Funds:</b>		
1990 Debt Service Fund:		
2007 Debt Service Fund	\$ —	\$ 15,601
2000 Debt Service Fund:		
2007 Debt Service Fund	—	16,632
2004 Debt Service Fund:		
2007 Debt Service Fund	—	126,609
2005 Debt Service Fund:		
2007 Debt Service Fund	—	9,950
2007 Debt Service Fund:		
General Fund	1,165	—
1990 Debt Service Fund	15,601	—
2000 Debt Service Fund	16,632	—
2004 Debt Service Fund	126,609	—
2005 Debt Service Fund	9,950	—
<b>Trust and Agency Funds:</b>		
Flexible Benefits Fund:		
General Fund	—	5,000
 Total All Funds	 \$ 174,957	 \$ 174,957

Transfers between funds during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>		
Special Revenue Fund:		
Athletics Fund	\$ —	\$ 326,000
<b>Special Revenue Fund</b>		
Athletics Fund:		
General Fund	326,000	—
 Total All Funds	 \$ 326,000	 \$ 326,000

The General Fund transfer to the Athletic Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2008 was as follows:

	<b>Balances July 1, 2007</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balances June 30, 2008</b>
Capital assets not depreciated:				
Land	\$ 1,272,546	\$ —	\$ —	\$ 1,272,546
Construction in progress	—	882,656	—	882,656
Capital assets being depreciated:				
Land improvements	1,389,245	—	—	1,389,245
Buildings and additions	54,127,963	58,989	—	54,186,952
Furniture and equipment	1,201,380	109,550	—	1,310,930
Vehicles	2,287,134	363,386	511,751	2,138,769
Totals at historical cost	<u>60,278,268</u>	<u>\$1,414,581</u>	<u>\$ 511,751</u>	<u>61,181,098</u>
Less accumulated depreciation for:				
Land improvements	791,997	\$ 62,295	\$ —	854,292
Buildings and additions	18,317,863	970,531	—	19,288,394
Furniture and equipment	730,580	75,113	—	805,693
Vehicles	1,632,127	165,298	531,626	1,265,799
Total accumulated depreciation	<u>21,472,567</u>	<u>\$ 1,273,237</u>	<u>\$ 531,626</u>	<u>22,214,178</u>
<b>Net Capital Assets</b>	<u><u>\$ 38,805,701</u></u>			<u><u>\$ 38,966,920</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 848,449
Supporting services	271,992
Community services	32,642
Food service	50,439
Athletics	69,715
	<u>\$ 1,273,237</u>

**Note F – Short-term Debt**

On August 18, 2006, the District borrowed \$3,200,000 in anticipation of state aid (interest at 3.68%). The loan was repaid on August 20, 2007. On August 20, 2007, the District borrowed \$3,500,000 in anticipation of State aid (interest at 3.68%). The loan is due to be repaid in full on August 20, 2008. Interest expense on the loans was \$130,088 for the fiscal year.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

**Note G – Long-term Debt**

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	<b>General Obligation Bonds</b>	<b>Durant Non-plaintiff Bonds</b>	<b>Energy Conservation Bonds</b>	<b>Early Retirement Incentive/ Accumulated Sick/Vacation</b>	<b>Total</b>
<b>Amount Available For Retirement Of Long- Term Debt</b>					
Debt Service Funds	\$ 629,740	\$ —	\$ —	\$ —	\$ 629,740
<b>Amounts To Be Provided For Retirement Of Long-Term Debt</b>					
State of Michigan	—	351,677	—	—	351,677
General Fund	—	—	1,475,000	509,844	1,984,844
Debt Service Funds	47,768,570	—	—	—	47,768,570
<b>Total Amounts Available and To Be Provided</b>	<b>\$ 48,398,310</b>	<b>\$ 351,677</b>	<b>\$ 1,475,000</b>	<b>\$ 509,844</b>	<b>\$ 50,734,831</b>

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	<b>Debt Outstanding July 1, 2007</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2008</b>
General obligation bonds:				
October 6, 1992	\$ 15,598,310	\$ —	\$ —	\$ 15,598,310
June 3, 1997	11,330,000	—	11,330,000	—
November 1, 2000	1,300,000	—	325,000	975,000
March 25, 2004	3,300,000	—	150,000	3,150,000
June 29, 2005	9,885,000	—	40,000	9,845,000
December 27, 2007	—	10,925,000	—	10,925,000
March 27, 2008	—	7,905,000	—	7,905,000
Durant non-plaintiff bonds:				
November 13, 1998	351,677	—	—	351,677
Energy conservation bonds:				
August 1, 2004	1,690,000	—	215,000	1,475,000
Installment purchase agreements	277,966	268,000	545,966	—
Early retirement incentive	681,679	—	681,679	—
Accumulated vacation pay	104,631	160,561	148,205	116,987
Accumulated sick leave	382,174	80,142	69,459	392,857
	<b>\$ 44,901,437</b>	<b>\$19,338,703</b>	<b>\$ 13,505,309</b>	<b>\$ 50,734,831</b>

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

Long-term bonds outstanding and installment purchase agreements at June 30, 2008 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
Serial Bonds:				
\$13,015M 2000 Building and Site: Annual maturities of \$325M	Nov. 1, 2011	4.75 – 5.875	\$ 975,000	\$ 325,000
\$3,565M 2004 Building and Site: Annual maturities of \$150M	May 1, 2029	Variable*	3,150,000	150,000
\$10,025M 2005 Refunding: Annual maturities of \$40M to \$665M	May 1, 2030	3.25 - 5.00	9,845,000	40,000
\$10,925M 2007 Building and Site: Annual maturities of \$75M to \$700M	May 1, 2037	3.50 – 5.00	10,925,000	—
\$7,905M 2008 Refunding: Annual maturities of \$3,685M to \$4,220M	May 1, 2010	4.00 – 4.84	7,905,000	3,685,000
Capital Appreciation Bonds:				
\$15,598,310 1992 General Obligation: Annual maturities of \$1,490M to \$1,645M	Oct. 6, 2020	6.35 – 6.40	15,598,310	—
<b>Durant Non-plaintiff Bonds</b>				
\$595,596 1998 School Improvement: Annual maturities of \$33M to \$208M	May 15, 2013	4.761353	351,677	33,147
<b>Energy Conservation Improvement Bonds</b>				
\$2,300M 2004 Improvement: Annual maturities of \$225M to \$270M	May 1, 2014	3.50 – 4.25	1,475,000	225,000
			<u>\$ 50,224,987</u>	<u>\$ 4,458,147</u>

The variable rate is based on the Security Industries Financial Management Association Index. The 2007-08 rates ranged from 1.280% to 4.010%. The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 4,458,147	\$ 1,526,829	\$ 5,984,976
2010	5,074,723	1,316,352	6,391,075
2011	2,380,738	4,340,767	6,721,505
2012	2,604,604	4,709,419	7,314,023
2013	2,482,412	4,974,572	7,456,984
2014	2,488,292	5,338,483	7,826,775
2015	2,249,303	5,772,259	8,021,562
2016	2,293,790	6,261,698	8,555,488
2017	2,286,499	6,732,313	9,018,812
2018	2,324,757	7,263,181	9,587,938

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 2,342,135	\$ 7,854,127	\$ 10,196,262
2020	2,359,587	8,495,201	10,854,788
2021	1,015,000	769,862	1,784,862
2022	1,065,000	722,938	1,787,938
2023	1,110,000	673,512	1,783,512
2024	1,155,000	624,088	1,779,088
2025	1,205,000	572,350	1,777,350
2026	1,245,000	522,510	1,767,510
2027	1,285,000	470,850	1,755,850
2028	1,330,000	412,925	1,742,925
2029	1,375,000	353,000	1,728,000
2030	1,270,000	294,750	1,564,750
2031	675,000	234,500	909,500
2032	675,000	204,125	879,125
2033	675,000	173,750	848,750
2034	700,000	140,000	840,000
2035	700,000	105,000	805,000
2036	700,000	70,000	770,000
2037	700,000	35,000	735,000
	<u>\$ 50,224,987</u>	<u>\$ 70,964,361</u>	<u>\$ 121,189,348</u>

On June 29, 2005, the District issued \$10,025,000 of general obligation bonds to advance refund \$9,475,000 of outstanding 2000 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2010). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$10,570,437 on the defeased debt at June 30, 2008 are detailed in the following schedule:

	<b>Cost</b>	<b>Market Value</b>	<b>Par Value</b>
U.S. Government Securities	<u>\$9,762,500</u>	<u>\$9,762,500</u>	<u>\$9,762,500</u>

On March 27, 2008, the District issued \$7,905,000 in general obligation bonds to advance refund \$8,060,000 of outstanding 1997 refunding bonds with an average interest rate of 4.42%. This advance refunding was undertaken to reduce total debt service payments over two years by \$246,617. The average interest rate of the refunding bond issue was 5.5375% resulting in a total net present value savings of \$237,231 or 2.943%. The net proceeds of \$8,270,070, after original issue premium of \$237,815, underwriters' discount of \$39,525, bond issuance costs of \$55,220 and District contribution of \$222,000 were deposited with an escrow agent and used to purchase United States Treasury Securities. Under the terms of the agreement, these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2008). This defeasance procedure allows the District to remove the related assets and liability from its financial statement, which it has done. The bonds have been paid in full by the escrow agent at June 30, 2008.

## **Note H – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$17,353,050. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were 2,918,883, \$3,036,476, \$2,718,518, respectively.

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPERS uses the aggregate actuarial cost method, and does not make separate measurements of assets and actuarial accrued liability for individual school districts. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2008**

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September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year that the State is reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

### **Note I – Risk Management and Benefits**

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$127,388 in premiums to the Trust for the year ended June 30, 2008.

Health, life, workers' compensation and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note J – Stewardship, Compliance and Accountability**

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2008:

	<b>Budget</b>	<b>Actual</b>	<b>Unfavorable Variance</b>
<b>General Fund</b>			
Instruction:			
Added needs	\$ 3,676,519	\$ 3,686,818	\$ 10,299
Supporting services:			
Instructional staff services	1,169,581	1,173,632	4,051
Business services	845,529	859,156	13,627
Pupil transportation services	3,193,741	3,234,995	41,254
<b>Special Revenue Funds</b>			
Food Service Fund	1,280,520	1,290,625	10,105
Athletics Fund	566,553	594,713	28,160

## **SUPPLEMENTAL INFORMATION**

## **GENERAL FUND**

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 5,554,439	\$ 4,648,633
Receivables:		
Taxes	14,463	14,468
Accounts	4,781	20,303
Due from other funds	5,000	5,000
Due from other governmental units	5,220,195	4,866,532
Accrued interest receivable	7,545	-
Inventory	42,160	41,318
Prepaid expenditures	37,042	503,093
<b>Total Assets</b>	<u><u>\$ 10,885,625</u></u>	<u><u>\$ 10,099,347</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 515,965	\$ 627,866
State aid loan payable	3,500,000	3,200,000
Due to other funds	1,165	2,995
Due to other governmental units	899,173	933,483
Accrued interest payable	128,800	118,414
Salaries payable	1,815,766	1,781,274
Deferred revenue	14,463	14,468
<b>Total Liabilities</b>	<u>6,875,332</u>	<u>6,678,500</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>4,010,293</u>	<u>3,420,847</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 10,885,625</u></u>	<u><u>\$ 10,099,347</u></u>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Local sources:		
Property taxes:		
Current property taxes	\$ 3,068,070	\$ 3,020,811
Delinquent property taxes	3,580	13,768
Other property taxes	8,135	11,993
Interest on delinquent taxes	9,522	11,611
	<u>3,089,307</u>	<u>3,058,183</u>
Interest earnings:		
Interest on deposits	183,434	163,962
Other local revenue:		
Community enrichment fees	140,559	152,277
Summer school fees	10,055	7,263
Preschool fees	924	-
Driver education fees	56,417	56,420
Transportation reimbursements	17,542	27,390
Third party testing	21,872	20,786
Universal service fund	56,852	42,941
Beverage consortium commissions	89,107	87,662
Copy center charges	104,053	107,432
Indirect cost reimbursement	30,500	30,500
Rental of school facilities	39,816	24,479
Donations	293,280	532,611
Sale of school property	15,874	6,845
Insurance claims/reimbursements	27,504	33,522
Custodial/security reimbursement	16,891	21,570
Refunds of expenditures	37,272	73,767
Miscellaneous	20,151	28,403
	<u>978,669</u>	<u>1,253,868</u>
Total local sources	4,251,410	4,476,013
State sources:		
State aid	25,655,212	25,340,213
Special education - transportation	771,914	850,677
Special education - itinerants	130,739	50,247
Other	4,274	612
	<u>26,562,139</u>	<u>26,241,749</u>
Total state sources	26,562,139	26,241,749
Federal sources:		
Title I	331,207	262,387
Title II A	93,805	54,420
Title II D	3,131	2,786
Title V	787	800
I.D.E.A. program	705,147	676,150
Service learning grants	28,255	14,167
Medicaid - school based	5,840	2,720
Drug free schools	6,244	5,776
SPSR grant	751	-
	<u>1,175,167</u>	<u>1,019,206</u>
Total federal sources	1,175,167	1,019,206

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2008 and 2007**

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	<u>2008</u>	<u>2007</u>
Interdistrict sources:		
Special education - county	\$ 1,752,457	\$ 1,657,890
Durant settlement reimbursements	12,250	12,250
Medicaid fee for service	<u>137,089</u>	<u>88,610</u>
Total interdistrict sources	<u>1,901,796</u>	<u>1,758,750</u>
 <b>Total Revenues</b>	 <u><u>\$ 33,890,512</u></u>	 <u><u>\$ 33,495,718</u></u>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,304,420	\$ 4,168,212
Employee benefits	2,181,668	2,124,504
Purchased services	113,848	95,162
Supplies	119,557	114,844
	<u>6,719,493</u>	<u>6,502,722</u>
Middle school:		
Salaries	2,059,346	2,131,703
Employee benefits	1,160,375	1,201,335
Purchased services	49,913	35,267
Supplies	100,322	88,995
Capital outlay	1,941	10,942
	<u>3,371,897</u>	<u>3,468,242</u>
High school:		
Salaries	3,272,846	3,343,463
Employee benefits	1,660,055	1,732,573
Purchased services	127,221	88,976
Supplies	170,764	188,310
Capital outlay	4,931	-
Payments to other districts	7,204	-
	<u>5,243,021</u>	<u>5,353,322</u>
Preschool:		
Salaries	54,631	48,441
Employee benefits	28,253	24,905
Purchased services	2,186	1,416
Supplies	4,498	667
	<u>89,568</u>	<u>75,429</u>
Summer school:		
Salaries	9,555	23,176
Employee benefits	2,375	5,408
Supplies	157	691
	<u>12,087</u>	<u>29,275</u>
Total basic programs	<u>15,436,066</u>	<u>15,428,990</u>
Added needs:		
Special education:		
Salaries	1,793,131	1,695,719
Employee benefits	835,442	800,320
Purchased services	44,295	45,076
Supplies	15,866	42,098
Payments to other districts	270,017	292,795
	<u>2,958,751</u>	<u>2,876,008</u>
Compensatory education:		
Salaries	425,916	371,605
Employee benefits	190,781	161,837

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Compensatory education: (Continued)		
Purchased services	\$ 58	\$ -
Supplies	5,727	5,178
Miscellaneous	10,500	10,500
	<u>632,982</u>	<u>549,120</u>
Vocational education:		
Salaries	51,215	45,205
Employee benefits	26,698	25,241
Purchased services	3,476	9,204
Supplies	13,696	2,738
Capital outlay	-	11,995
	<u>95,085</u>	<u>94,383</u>
Total added needs	3,686,818	3,519,511
Adult education:		
Basic education:		
Salaries	695	13,158
Employee benefits	165	3,338
Purchased services	-	108
Supplies	-	3
Miscellaneous	-	98
Total adult education	<u>860</u>	<u>16,705</u>
Pupil services:		
Guidance services:		
Salaries	370,314	407,632
Employee benefits	173,886	189,767
Purchased services	39,857	9,407
Supplies	25,726	20,320
Capital outlay	1,346	-
Miscellaneous	561	377
	<u>611,690</u>	<u>627,503</u>
Occupational therapist services:		
Salaries	35,824	34,651
Employee benefits	17,746	15,720
Purchased services	1,796	1,636
Supplies	1,642	426
Payments to other districts	86,704	86,751
	<u>143,712</u>	<u>139,184</u>
Psychological services:		
Salaries	5,108	5,662
Employee benefits	1,245	1,437
Purchased services	1,405	1,065
Supplies	1,852	2,484
Payments to other districts	206,251	207,568
	<u>215,861</u>	<u>218,216</u>
Speech pathology services:		
Salaries	30,114	28,183
Employee benefits	11,306	10,841

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Speech pathology services: (Continued)		
Purchased services	\$ 1,560	\$ 1,536
Supplies	1,073	1,506
Payments to other districts	286,520	283,694
	<u>330,573</u>	<u>325,760</u>
Social worker services:		
Salaries	8,404	8,688
Employee benefits	22,445	22,631
Purchased services	694	635
Supplies	480	1,004
Payments to other districts	292,808	284,335
	<u>324,831</u>	<u>317,293</u>
Teacher consultant services:		
Salaries	7,690	36,270
Employee benefits	1,874	12,712
Purchased services	872	436
Supplies	2,190	3,334
Payments to other districts	106,098	89,501
	<u>118,724</u>	<u>142,253</u>
Total pupil services	1,745,391	1,770,209
Supporting services:		
Instructional staff services:		
Improvement of instruction:		
Salaries	213,723	176,209
Employee benefits	94,212	68,337
Purchased services	74,684	63,661
Supplies	79,325	55,342
Miscellaneous	17,740	11,607
	<u>479,684</u>	<u>375,156</u>
Library:		
Salaries	200,061	188,618
Employee benefits	110,804	108,428
Purchased services	16,742	18,244
Supplies	59,567	57,346
Capital outlay	3,210	-
	<u>390,384</u>	<u>372,636</u>
Supervision and direction of instruction:		
Salaries	127,454	61,685
Employee benefits	29,099	23,367
Purchased services	1,634	68,285
Supplies	453	770
	<u>158,640</u>	<u>154,107</u>
Other instructional staff services:		
Salaries	105,833	7,852
Employee benefits	32,756	1,989
Purchased services	116	2,576
Supplies	6,219	844
	<u>144,924</u>	<u>13,261</u>
Total instructional staff services	1,173,632	915,160

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
General administrative services:		
Board of education:		
Salaries	\$ 2,100	\$ 2,100
Purchased services	79,172	95,031
Supplies	2,806	9,067
Miscellaneous	16,814	16,438
	<u>100,892</u>	<u>122,636</u>
Executive administration:		
Salaries	213,274	243,035
Employee benefits	84,975	110,276
Purchased services	53,934	22,302
Supplies	5,316	5,834
Capital outlay	-	1,949
Miscellaneous	2,142	2,025
	<u>359,641</u>	<u>385,421</u>
Total general administrative services	460,533	508,057
School administrative services:		
Office of the principal:		
Salaries	1,228,507	1,315,435
Employee benefits	681,017	742,136
Purchased services	38,532	53,784
Supplies	39,359	38,562
Miscellaneous	7,531	7,494
	<u>1,994,946</u>	<u>2,157,411</u>
Total school administrative services		
Business services:		
Fiscal services:		
Salaries	281,079	281,662
Employee benefits	155,394	158,424
Purchased services	30,261	28,464
Supplies	99,454	111,893
Capital outlay	1,105	-
Miscellaneous	10,252	13,055
	<u>577,545</u>	<u>593,498</u>
Other business services:		
Salaries	11,384	10,006
Employee benefits	2,768	2,495
Purchased services	1,906	3,131
Miscellaneous	265,553	217,602
	<u>281,611</u>	<u>233,234</u>
Total business services	859,156	826,732
Operation and maintenance services:		
Operation and maintenance:		
Salaries	781,368	814,473
Employee benefits	484,161	496,594
Purchased services	692,335	780,787

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Operation and maintenance:		
Supplies	\$ 784,664	\$ 755,316
Capital outlay	21,075	14,623
Miscellaneous	2,359	1,696
	<u>2,765,962</u>	<u>2,863,489</u>
Security services:		
Salaries	60,296	63,572
Employee benefits	34,668	33,939
Purchased services	2,676	5,239
Supplies	4,170	3,653
	<u>101,810</u>	<u>106,403</u>
Total operation and maintenance services	2,867,772	2,969,892
Pupil transportation services:		
Pupil transportation:		
Salaries	777,454	766,520
Employee benefits	396,278	393,788
Purchased services	130,345	120,688
Supplies	300,857	222,816
Capital outlay	342,311	190,668
Payments to other districts	1,287,750	1,103,451
Total pupil transportation services	<u>3,234,995</u>	<u>2,797,931</u>
Central services:		
Planning and evaluation:		
Salaries	15,191	13,892
Employee benefits	1,099	1,126
Purchased services	36,103	78,985
Supplies	4,590	2,821
	<u>56,983</u>	<u>96,824</u>
Staff/personnel services:		
Purchased services	15,593	6,912
Technology services:		
Salaries	187,580	211,244
Employee benefits	102,324	117,908
Purchased services	130,370	68,562
Supplies	47,216	68,579
Capital outlay	20,901	43,422
Miscellaneous	688	-
	<u>489,079</u>	<u>509,715</u>
Total central services	561,655	613,451
Community services:		
Community services direction:		
Salaries	900	900
Employee benefits	222	226
Purchased services	9,940	26,488
	<u>11,062</u>	<u>27,614</u>

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
Community recreation:		
Salaries	\$ 89,383	\$ 78,831
Employee benefits	43,054	37,150
Purchased services	24,270	36,777
Supplies	4,440	7,911
Capital outlay	4,877	16,027
	<u>166,024</u>	<u>176,696</u>
Community activities:		
Purchased services	1,000	3,000
Supplies	3,226	6,888
	<u>4,226</u>	<u>9,888</u>
Custody and care of children:		
Salaries	107,772	99,584
Employee benefits	40,540	38,459
Purchased services	10,492	6,843
Supplies	21,722	21,029
	<u>180,526</u>	<u>165,915</u>
Other community services:		
Salaries	11,652	13,024
Employee benefits	2,867	3,242
Purchased services	329	792
Supplies	-	96
	<u>14,848</u>	<u>17,154</u>
Total community services	376,686	397,267
Capital outlay:		
Land acquisition	-	250,388
Debt service:		
Principal repayment	760,675	334,128
Interest expense	83,881	81,832
Total debt service	<u>844,556</u>	<u>415,960</u>
<b>Total Expenditures</b>	<u><u>\$ 33,243,066</u></u>	<u><u>\$ 32,587,664</u></u>

## **NONMAJOR GOVERNMENTAL FUNDS**

**LOWELL AREA SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2008**

	Special Revenue	
	Food Service	Athletics
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 75,906	\$ 15,255
Receivables:		
Taxes	-	-
Accounts	2,286	-
Due from other funds	-	-
Due from other governmental units	9,952	-
Inventory	11,378	-
Prepaid expenditures	60,000	-
<b>Total Assets</b>	<b>\$ 159,522</b>	<b>\$ 15,255</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 20,735	\$ 8,468
Due to other funds	-	-
Due to other governmental units	-	1,064
Salaries payable	-	4,367
Deferred revenue	-	-
<b>Total Liabilities</b>	<b>20,735</b>	<b>13,899</b>
<b>Fund balances</b>		
Reserved for debt service	-	-
Unreserved:		
Undesignated	138,787	1,356
<b>Total Fund Balances</b>	<b>138,787</b>	<b>1,356</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 159,522</b>	<b>\$ 15,255</b>

Debt Service					Capital Projects 2004 Construction	Total
1990	2000	2004	2005	2007		
\$ 272,090	\$ 43,302	\$ 240,750	\$ 41,775	\$ 30,658	\$ -	\$ 719,736
4,064	474	267	650	243	-	5,698
-	-	-	-	-	-	2,286
-	-	-	-	169,957	-	169,957
-	-	-	-	-	-	9,952
-	-	-	-	-	-	11,378
-	-	-	-	-	-	60,000
<u>\$ 276,154</u>	<u>\$ 43,776</u>	<u>\$ 241,017</u>	<u>\$ 42,425</u>	<u>\$ 200,858</u>	<u>\$ -</u>	<u>\$ 979,007</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,203
15,601	16,632	126,609	9,950	-	-	168,792
-	-	-	-	-	-	1,064
-	-	-	-	-	-	4,367
4,064	474	267	650	243	-	5,698
<u>19,665</u>	<u>17,106</u>	<u>126,876</u>	<u>10,600</u>	<u>243</u>	<u>-</u>	<u>209,124</u>
256,489	26,670	114,141	31,825	200,615	-	629,740
-	-	-	-	-	-	140,143
<u>256,489</u>	<u>26,670</u>	<u>114,141</u>	<u>31,825</u>	<u>200,615</u>	<u>-</u>	<u>769,883</u>
<u>\$ 276,154</u>	<u>\$ 43,776</u>	<u>\$ 241,017</u>	<u>\$ 42,425</u>	<u>\$ 200,858</u>	<u>\$ -</u>	<u>\$ 979,007</u>

**LOWELL AREA SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2008**

	Special Revenue	
	Food Service	Athletics
<b>Revenues</b>		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	6,123	1,533
Sales and admissions	766,460	254,856
Total local sources	772,583	256,389
State sources	68,749	-
Federal sources	414,097	-
<b>Total Revenues</b>	<b>1,255,429</b>	<b>256,389</b>
<b>Expenditures</b>		
Current:		
Food service	1,290,625	-
Athletics	-	594,713
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
Bond issuance costs	-	-
Underwriter's discount	-	-
<b>Total Expenditures</b>	<b>1,290,625</b>	<b>594,713</b>
<b>Excess (Deficiency) of Revenues</b>		
<b>Over Expenditures</b>	<b>(35,196)</b>	<b>(338,324)</b>
<b>Other Financing Sources (Uses)</b>		
Refunding bonds issued	-	-
Bond premium	-	-
Transfers in	-	326,000
Payments to escrow agent	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>326,000</b>
<b>Net Change in Fund Balances</b>	<b>(35,196)</b>	<b>(12,324)</b>
<b>Fund Balances, July 1</b>	<b>173,983</b>	<b>13,680</b>
<b>Fund Balances, June 30</b>	<b>\$ 138,787</b>	<b>\$ 1,356</b>

Debt Service					Capital Projects 2004 Construction	Total
1990	2000	2004	2005	2007		
\$ 3,773,659	\$ 366,347	\$ 161,189	\$ 454,284	\$ 372,967	\$ -	\$ 5,128,446
57,872	6,034	10,627	3,342	90	2,286	87,907
-	-	-	-	-	-	1,021,316
3,831,531	372,381	171,816	457,626	373,057	2,286	6,237,669
-	-	-	-	-	-	68,749
-	-	-	-	-	-	414,097
3,831,531	372,381	171,816	457,626	373,057	2,286	6,720,515
-	-	-	-	-	-	1,290,625
-	-	-	-	-	-	594,713
-	-	-	-	-	154,288	154,288
3,270,000	325,000	150,000	40,000	-	-	3,785,000
409,112	71,268	98,213	452,613	172,442	-	1,203,648
53,279	-	-	-	-	-	53,279
39,525	-	-	-	-	-	39,525
3,771,916	396,268	248,213	492,613	172,442	154,288	7,121,078
59,615	(23,887)	(76,397)	(34,987)	200,615	(152,002)	(400,563)
7,905,000	-	-	-	-	-	7,905,000
237,815	-	-	-	-	-	237,815
-	-	-	-	-	-	326,000
(8,270,070)	-	-	-	-	-	(8,270,070)
(127,255)	-	-	-	-	-	198,745
(67,640)	(23,887)	(76,397)	(34,987)	200,615	(152,002)	(201,818)
324,129	50,557	190,538	66,812	-	152,002	971,701
\$ 256,489	\$ 26,670	\$ 114,141	\$ 31,825	\$ 200,615	\$ -	\$ 769,883

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 6,094	\$ 6,123	\$ 29
Sales and admissions	766,433	766,460	27
Total local sources	772,527	772,583	56
State sources	63,774	68,749	4,975
Federal sources	413,544	414,097	553
<b>Total Revenues</b>	<u>1,249,845</u>	<u>1,255,429</u>	<u>5,584</u>
<b>Expenditures</b>			
Current:			
Food service	1,280,520	1,290,625	(10,105)
<b>Net Change in Fund Balances</b>	(30,675)	(35,196)	(4,521)
<b>Fund Balances, July 1</b>	<u>173,983</u>	<u>173,983</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 143,308</u></u>	<u><u>\$ 138,787</u></u>	<u><u>\$ (4,521)</u></u>

**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2008**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 1,552	\$ 1,533	\$ (19)
Sales and admissions	226,686	254,856	28,170
<b>Total Revenues</b>	<u>228,238</u>	<u>256,389</u>	<u>28,151</u>
<b>Expenditures</b>			
Current:			
Athletics	566,553	594,713	(28,160)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(338,315)</u>	<u>(338,324)</u>	<u>(9)</u>
<b>Other Financing Sources</b>			
Transfers in	326,000	326,000	-
<b>Net Change in Fund Balances</b>	(12,315)	(12,324)	(9)
<b>Fund Balances, July 1</b>	<u>13,680</u>	<u>13,680</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 1,365</u></u>	<u><u>\$ 1,356</u></u>	<u><u>\$ (9)</u></u>

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 75,906	\$ 105,011
Accounts receivable	2,286	2,099
Due from other governmental units	9,952	10,703
Inventory	11,378	14,330
Prepaid expenditures	<u>60,000</u>	<u>63,325</u>
<b>Total Assets</b>	<u><u>\$ 159,522</u></u>	<u><u>\$ 195,468</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	<u>\$ 20,735</u>	<u>\$ 21,485</u>
 <b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>138,787</u>	<u>173,983</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 159,522</u></u>	<u><u>\$ 195,468</u></u>

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2008 and 2007**

	2008	2007
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 748,123	\$ 765,742
Adult lunches	18,337	20,553
	<u>766,460</u>	<u>786,295</u>
Interest earnings:		
Interest on deposits	6,123	6,579
Total local sources	<u>772,583</u>	<u>792,874</u>
State sources	68,749	69,771
Federal sources	<u>414,097</u>	<u>372,687</u>
<b>Total Revenues</b>	<u>1,255,429</u>	<u>1,235,332</u>
<b>Expenditures</b>		
Current:		
Food service:		
Salaries	283,400	285,245
Employee benefits	127,073	123,868
Purchased services	207,124	199,964
Supplies	577,881	539,887
Capital outlay	75,147	15,094
Indirect cost allocation	<u>20,000</u>	<u>20,000</u>
<b>Total Expenditures</b>	<u>1,290,625</u>	<u>1,184,058</u>
<b>Net Change in Fund Balances</b>	(35,196)	51,274
<b>Fund Balances, July 1</b>	<u>173,983</u>	<u>122,709</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 138,787</u></u>	<u><u>\$ 173,983</u></u>

**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	<u>\$ 15,255</u>	<u>\$ 21,398</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,468	\$ 2,364
Due to other governmental units	1,064	1,084
Salaries payable	<u>4,367</u>	<u>4,270</u>
<b>Total Liabilities</b>	<u>13,899</u>	<u>7,718</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>1,356</u>	<u>13,680</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 15,255</u>	<u>\$ 21,398</u>

**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Admissions	\$ 133,151	\$ 133,785
Sports fees and charges	66,005	70,622
Tournament fees	12,763	66,058
Donations	42,937	12,426
Other	-	95
	<u>254,856</u>	<u>282,986</u>
Interest earnings:		
Interest on deposits	<u>1,533</u>	<u>3,005</u>
<b>Total Revenues</b>	<u>256,389</u>	<u>285,991</u>
<b>Expenditures</b>		
Current:		
Athletics:		
Salaries	347,125	345,830
Employee benefits	113,682	116,876
Purchased services	30,304	33,920
Supplies	75,542	117,954
Capital outlay	<u>28,060</u>	<u>416</u>
<b>Total Expenditures</b>	<u>594,713</u>	<u>614,996</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(338,324)</u>	<u>(329,005)</u>
<b>Other Financing Sources</b>		
Transfers in	<u>326,000</u>	<u>321,145</u>
<b>Net Change in Fund Balances</b>	(12,324)	(7,860)
<b>Fund Balances, July 1</b>	<u>13,680</u>	<u>21,540</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 1,356</u></u>	<u><u>\$ 13,680</u></u>

## **SPECIAL REVENUE FUNDS**

*Food Service*—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

*Athletics*—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

## **DEBT SERVICE FUNDS**

*Debt Service Funds*—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

**LOWELL AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

---

	<u>1990</u>	<u>2000</u>	<u>2004</u>	<u>2005</u>
<b>Assets</b>				
Cash equivalents, deposits and investments	\$ 272,090	\$ 43,302	\$ 240,750	\$ 41,775
Due from other funds	-	-	-	-
Taxes receivable	<u>4,064</u>	<u>474</u>	<u>267</u>	<u>650</u>
<b>Total Assets</b>	<u><u>\$ 276,154</u></u>	<u><u>\$ 43,776</u></u>	<u><u>\$ 241,017</u></u>	<u><u>\$ 42,425</u></u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	\$ 15,601	\$ 16,632	\$ 126,609	\$ 9,950
Deferred revenue	<u>4,064</u>	<u>474</u>	<u>267</u>	<u>650</u>
<b>Total Liabilities</b>	<u>19,665</u>	<u>17,106</u>	<u>126,876</u>	<u>10,600</u>
<b>Fund Balances</b>				
Reserved for debt service	<u>256,489</u>	<u>26,670</u>	<u>114,141</u>	<u>31,825</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 276,154</u></u>	<u><u>\$ 43,776</u></u>	<u><u>\$ 241,017</u></u>	<u><u>\$ 42,425</u></u>

2007	Totals	
	2008	2007
\$ 30,658	\$ 628,575	\$ 632,036
169,957	169,957	-
243	5,698	5,696
<u>\$ 200,858</u>	<u>\$ 804,230</u>	<u>\$ 637,732</u>
\$ -	\$ 168,792	\$ -
243	5,698	5,696
<u>243</u>	<u>174,490</u>	<u>5,696</u>
<u>200,615</u>	<u>629,740</u>	<u>632,036</u>
<u>\$ 200,858</u>	<u>\$ 804,230</u>	<u>\$ 637,732</u>

**LOWELL AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2008**

	1990	2000	2004	2005
<b>Revenues</b>				
Local sources:				
Property taxes:				
Current property taxes	\$3,739,683	\$ 363,004	\$159,731	\$ 450,134
Industrial facilities taxes	15,499	1,504	662	1,866
Delinquent property taxes	1,268	144	41	163
Other taxes	9,409	922	359	1,180
Interest on delinquent taxes	7,800	773	396	941
	<u>3,773,659</u>	<u>366,347</u>	<u>161,189</u>	<u>454,284</u>
Interest earnings:				
Interest on deposits and investments	57,872	6,034	10,627	3,342
Other local sources:				
Refund of prior year expenditures	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>3,831,531</u>	<u>372,381</u>	<u>171,816</u>	<u>457,626</u>
<b>Expenditures</b>				
Debt service:				
Principal repayment	3,270,000	325,000	150,000	40,000
Interest and fiscal charges:				
Interest expense	392,191	68,245	92,883	450,825
Paying agent fees	1,136	499	4,967	262
Tax refunds	15,785	2,524	363	1,526
Bond issuance costs	53,279	-	-	-
Underwriter's discount	39,525	-	-	-
	<u>3,771,916</u>	<u>396,268</u>	<u>248,213</u>	<u>492,613</u>
<b>Total Expenditures</b>	<u>3,771,916</u>	<u>396,268</u>	<u>248,213</u>	<u>492,613</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>59,615</u>	<u>(23,887)</u>	<u>(76,397)</u>	<u>(34,987)</u>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	7,905,000	-	-	-
Bond premium	237,815	-	-	-
Payments to escrow agent	(8,270,070)	-	-	-
	<u>(127,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(127,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(67,640)</u>	<u>(23,887)</u>	<u>(76,397)</u>	<u>(34,987)</u>
<b>Fund Balances, July 1</b>	<u>324,129</u>	<u>50,557</u>	<u>190,538</u>	<u>66,812</u>
<b>Fund Balances, June 30</b>	<u>\$ 256,489</u>	<u>\$ 26,670</u>	<u>\$ 114,141</u>	<u>\$ 31,825</u>

2007	Totals	
	2008	2007
\$ 370,222	\$5,082,774	\$ 4,806,113
1,535	21,066	21,709
-	1,616	4,945
540	12,410	3,409
670	10,580	10,338
372,967	5,128,446	4,846,514
90	77,965	88,143
-	-	4,466
373,057	5,206,411	4,939,123
-	3,785,000	3,300,000
171,792	1,175,936	1,443,876
59	6,923	42,644
591	20,789	17,060
-	53,279	-
-	39,525	-
172,442	5,081,452	4,803,580
200,615	124,959	135,543
-	7,905,000	-
-	237,815	-
-	(8,270,070)	-
-	(127,255)	-
200,615	(2,296)	135,543
-	632,036	496,493
\$ 200,615	\$ 629,740	\$ 632,036

## **CAPITAL PROJECTS FUND**

*2004 Construction* — to account for bond proceeds used to finance building construction and renovation projects.

**LOWELL AREA SCHOOLS**  
**2004 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ -	\$ 149,007
Due from other funds	<u>-</u>	<u>2,995</u>
<b>Total Assets</b>	<u><u>\$ -</u></u>	<u><u>\$ 152,002</u></u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>		
Reserved for capital outlay	<u>-</u>	<u>152,002</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ -</u></u>	<u><u>\$ 152,002</u></u>

**LOWELL AREA SCHOOLS**  
**2004 Construction Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
Interest earnings:		
Interest on deposits	<u>\$ 2,286</u>	<u>\$ 8,476</u>
<b>Expenditures</b>		
Capital outlay:		
Buildings and additions	75,953	72,099
Equipment and furniture	78,235	-
Bank fees	<u>100</u>	<u>-</u>
<b>Total Expenditures</b>	<u>154,288</u>	<u>72,099</u>
<b>Net Change in Fund Balances</b>	(152,002)	(63,623)
<b>Fund Balances, July 1</b>	<u>152,002</u>	<u>215,625</u>
<b>Fund Balances, June 30</b>	<u><u>\$ -</u></u>	<u><u>\$ 152,002</u></u>

## **AGENCY FUND**

*Student Activities*—to account for the collection and disbursements of monies used by the school activity clubs and groups.

**LOWELL AREA SCHOOLS**  
**Student Activities Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2008**

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	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2008</u>
<b>Assets</b>				
Cash equivalents, deposits and investments	<u>\$ 318,886</u>	<u>\$ 756,530</u>	<u>\$ 822,360</u>	<u>\$ 253,056</u>
<b>Liabilities</b>				
Due to student groups	<u>\$ 318,886</u>	<u>\$ 598,374</u>	<u>\$ 664,204</u>	<u>\$ 253,056</u>

## **OTHER INFORMATION**

**LOWELL AREA SCHOOLS**  
**Summary of 2007 Taxes Levied and Collected**  
**For the year ended June 30, 2008**

	County of Kent				
	City of Lowell	Ada	Bowne	Cannon	Cascade
<b>Taxable Valuations</b>					
Operating	\$58,659,254	\$13,887,754	\$17,673,317	\$ 1,150,009	\$ 5,543,322
Debt Service	110,114,308	83,605,688	52,064,784	12,601,961	31,476,902
<b>Rates (Mills)</b>					
General Fund					
1990 Debt Service Fund					
2000 Debt Service Fund					
2004 Debt Service Fund					
2005 Debt Service Fund					
2007 Debt Service Fund					
<b>Taxes Levied 2007 Rolls</b>					
General Fund	\$ 995,844	\$ 249,753	\$ 186,425	\$ 20,681	\$ 99,690
1990 Debt Service Fund	567,081	430,566	268,130	64,899	162,105
2000 Debt Service Fund	55,056	41,802	26,032	6,301	15,738
2004 Debt Service Fund	24,225	18,393	11,454	2,772	6,925
2005 Debt Service Fund	68,270	51,835	32,280	7,813	19,516
2007 Debt Service Fund	56,158	42,639	26,553	6,427	16,053
	<u>1,766,634</u>	<u>834,988</u>	<u>550,874</u>	<u>108,893</u>	<u>320,027</u>
<b>Taxes Uncollected 2007 Rolls</b>					
General Fund	913	-	1,027	-	-
1990 Debt Service Fund	206	-	288	-	-
2000 Debt Service Fund	20	-	29	-	-
2004 Debt Service Fund	9	-	11	-	-
2005 Debt Service Fund	25	-	34	-	-
2007 Debt Service Fund	20	-	37	-	-
	<u>1,193</u>	<u>-</u>	<u>1,426</u>	<u>-</u>	<u>-</u>
<b>Taxes Collected 2007 Rolls</b>					
General Fund	994,931	249,753	185,398	20,681	99,690
1990 Debt Service Fund	566,875	430,566	267,842	64,899	162,105
2000 Debt Service Fund	55,036	41,802	26,003	6,301	15,738
2004 Debt Service Fund	24,216	18,393	11,443	2,772	6,925
2005 Debt Service Fund	68,245	51,835	32,246	7,813	19,516
2007 Debt Service Fund	56,138	42,639	26,516	6,427	16,053
	<u>1,765,441</u>	<u>834,988</u>	<u>549,448</u>	<u>108,893</u>	<u>320,027</u>
<b>Delinquent Taxes Collected</b>					
General Fund	406	-	-	-	-
1990 Debt Service Fund	126	-	-	-	-
2000 Debt Service Fund	12	-	-	-	-
2004 Debt Service Fund	2	-	-	-	-
2005 Debt Service Fund	17	-	-	-	-
	<u>563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

County of Ionia						
Townships						
Grattan	Lowell	Vergennes	Boston	Campbell	Keene	Total
\$ 10,949,640	\$ 36,608,662	\$ 31,897,915	\$ 3,864,240	\$ 104,854	\$ 1,630,118	\$181,969,085
57,665,083	170,660,618	167,768,882	20,906,893	1,244,316	18,050,346	726,159,781
						18.0000
						5.1500
						0.5000
						0.2200
						0.6200
						0.5100
						25.0000
\$ 196,913	\$ 658,357	\$ 564,284	\$ 69,494	\$ 1,886	\$ 29,316	\$ 3,072,643
296,970	878,888	865,261	107,670	6,408	92,959	3,740,937
28,832	85,329	84,006	10,453	622	9,025	363,196
12,686	37,545	36,963	4,600	274	3,971	159,808
35,752	105,808	104,167	12,962	771	11,191	450,365
29,409	87,036	85,686	10,663	635	9,206	370,465
600,562	1,852,963	1,740,367	215,842	10,596	155,668	8,157,414
-	2,627	-	-	-	-	4,567
-	760	-	-	-	-	1,254
-	143	-	-	-	-	192
-	57	-	-	-	-	77
-	172	-	-	-	-	231
-	186	-	-	-	-	243
-	3,945	-	-	-	-	6,564
196,913	655,730	564,284	69,494	1,886	29,316	3,068,076
296,970	878,128	865,261	107,670	6,408	92,959	3,739,683
28,832	85,186	84,006	10,453	622	9,025	363,004
12,686	37,488	36,963	4,600	274	3,971	159,731
35,752	105,636	104,167	12,962	771	11,191	450,134
29,409	86,850	85,686	10,663	635	9,206	370,222
600,562	1,849,018	1,740,367	215,842	10,596	155,668	8,150,850
2,111	545	-	518	-	-	3,580
657	336	-	149	-	-	1,268
65	34	-	33	-	-	144
12	10	-	17	-	-	41
88	46	-	12	-	-	163
2,933	971	-	729	-	-	5,196

**LOWELL AREA SCHOOLS**  
**Summary of 2007 Taxes Levied and Collected**  
**For the year ended June 30, 2008**

	County of Kent				
	City of Lowell	Ada	Bowne	Cannon	Cascade
<b>Total Taxes Collected</b>					
General Fund	\$ 995,337	\$ 249,753	\$ 185,398	\$ 20,681	\$ 99,690
1990 Debt Service Fund	567,001	430,566	267,842	64,899	162,105
2000 Debt Service Fund	55,048	41,802	26,003	6,301	15,738
2004 Debt Service Fund	24,218	18,393	11,443	2,772	6,925
2005 Debt Service Fund	68,262	51,835	32,246	7,813	19,516
2007 Debt Service Fund	56,138	42,639	26,516	6,427	16,053
	<u>\$1,766,004</u>	<u>\$ 834,988</u>	<u>\$ 549,448</u>	<u>\$ 108,893</u>	<u>\$ 320,027</u>
<b>Taxes Uncollected – June 30, 2008</b>					
General Fund:					
2007	\$ 913	\$ -	\$ 1,027	\$ -	\$ -
2006	1,774	-	381	-	-
2005	1,155	-	-	-	-
	<u>3,842</u>	<u>-</u>	<u>1,408</u>	<u>-</u>	<u>-</u>
1990 Debt Service Fund:					
2007	206	-	288	-	-
2006	552	-	119	-	-
2005	310	-	-	-	-
	<u>1,068</u>	<u>-</u>	<u>407</u>	<u>-</u>	<u>-</u>
2000 Debt Service Fund:					
2007	20	-	29	-	-
2006	55	-	12	-	-
2005	37	-	-	-	-
	<u>112</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>-</u>
2004 Debt Service Fund:					
2007	9	-	11	-	-
2006	10	-	2	-	-
2005	62	-	-	-	-
	<u>81</u>	<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>
2005 Debt Service Fund:					
2007	25	-	34	-	-
2006	74	-	16	-	-
2005	55	-	-	-	-
	<u>154</u>	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>
2007 Debt Service Fund:					
2007	20	-	37	-	-
	<u>20</u>	<u>-</u>	<u>37</u>	<u>-</u>	<u>-</u>
<b>Total Taxes Uncollected</b>	<u>\$ 5,277</u>	<u>\$ -</u>	<u>\$ 1,956</u>	<u>\$ -</u>	<u>\$ -</u>

Townships			County of Ionia			Total
Grattan	Lowell	Vergennes	Boston	Campbell	Keene	
\$ 199,024	\$ 656,275	\$ 564,284	\$ 70,012	\$ 1,886	\$ 29,316	\$ 3,071,656
297,627	878,464	865,261	107,819	6,408	92,959	3,740,951
28,897	85,220	84,006	10,486	622	9,025	363,148
12,698	37,498	36,963	4,617	274	3,971	159,772
35,840	105,682	104,167	12,974	771	11,191	450,297
29,409	86,850	85,686	10,663	635	9,206	370,222
<u>\$ 603,495</u>	<u>\$ 1,849,989</u>	<u>\$ 1,740,367</u>	<u>\$ 216,571</u>	<u>\$ 10,596</u>	<u>\$ 155,668</u>	<u>\$ 8,156,046</u>
\$ -	\$ 2,627	\$ -	\$ -	\$ -	\$ -	\$ 4,567
-	5,283	-	99	-	-	7,537
400	79	-	725	-	-	2,359
<u>400</u>	<u>7,989</u>	<u>-</u>	<u>824</u>	<u>-</u>	<u>-</u>	<u>14,463</u>
-	760	-	-	-	-	1,254
-	1,461	-	31	-	-	2,163
108	33	-	196	-	-	647
<u>108</u>	<u>2,254</u>	<u>-</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>4,064</u>
-	143	-	-	-	-	192
-	146	-	3	-	-	216
14	4	-	11	-	-	66
<u>14</u>	<u>293</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>474</u>
-	57	-	-	-	-	77
-	30	-	-	-	-	42
20	17	-	49	-	-	148
<u>20</u>	<u>104</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>267</u>
-	172	-	-	-	-	231
-	199	-	4	-	-	293
19	5	-	47	-	-	126
<u>19</u>	<u>376</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>-</u>	<u>650</u>
-	186	-	-	-	-	243
<u>\$ 561</u>	<u>\$ 11,202</u>	<u>\$ -</u>	<u>\$ 1,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,161</u>

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

October 28, 2008

The Board of Education  
Lowell Area Schools  
Kent County, Michigan

The following comments pertain to our audit of the financial records of Lowell Area Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

**The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles**

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

**Auditor's Independence**

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

**An Overview of the Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

**Significant Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lowell Area Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in performing and completing our audit for the year ended June 30, 2008.

### **Disagreements with Management**

We encountered no significant disagreements in dealing with management in performing and completing our audit for the year ended June 30, 2008.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Management Representations**

We have requested certain representations from management that are included in the Management's Representation Letter dated October 28, 2008.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

#### **District-wide Financial Statements**

1. \$2,959,502 to record accrued interest payable at June 30, 2008.
2. \$751,898 to record 2007-08 amortizable bond issuance costs.
3. \$658,640 to record 2007-08 net expenses recognized for early retirement incentive and accumulated employee sick and vacation leave.
4. \$1,414,581 to record capitalization of capital assets purchased in 2007-08.
5. \$1,273,237 to record 2007-08 depreciation expense on capital assets.

Athletics Fund

1. \$28,060 to record donations from the Student Activity fund and the related capital outlay purchases.

Debt Service Funds

1. \$16,422 to allocate property tax revenues between District funds.

2007 Construction Fund

1. \$181,677 to record additional bond sale expenditures incurred in the bond refunding.
2. \$193,719 to record accrued interest receivable at June 30, 2008.

**Other Significant, Relevant Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, we found no significant deficiencies or material weaknesses during the audit so no SAS 112 letter is required.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

### **Other Comments**

The District General Fund balance increased by \$589,446 to \$4,010,293 at June 30, 2008. This balance represents approximately 11.8% of the District's 2008-09 expenditure budget (up from 10% at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Lowell Area Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

### **Closing**

This communication is intended solely for the information and use of the Lowell Area Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

*Hungerford, Aldine, Nichols & Carter, P.C.*

Certified Public Accountants

**HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC**  
**Statement on Auditing Standards No. 114 Letter**  
**Appendix A - Comments On Significant Internal Control Areas for**  
**LOWELL AREA SCHOOLS**  
**For the Year Ended June 30, 2008**

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Lowell Area Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

**GENERAL CONTROLS**

- Documentation of the internal control system
  - **The District should continue to complete a documented system for all District accounting procedures and internal controls to insure that its operations are completed as designed and so third parties can review and monitor these policies to insure independent oversight of these processes.**
- Segregation of duties
- Independent monitoring of accounting functions

**BUDGETS**

- Budget adoptions, amendments for all required funds
  - **The General Fund budget (for both revenues and expenditures) should be closely monitored near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
- Documented authorization for all budget amendments

**CASH**

- Cash collection/receipting procedures
  - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, community enrichment, driver education/third party testing). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**

**HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC**  
**Statement on Auditing Standards No. 114 Letter**  
**Appendix A - Comments On Significant Internal Control Areas for**  
**LOWELL AREA SCHOOLS**  
**For the Year Ended June 30, 2008**

- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

**INVESTMENTS**

- Investment policy adoption/implementation/monitoring procedures
  - **The District Investment Policy should be reviewed annually by the Assistant Superintendent for Finance and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

**REVENUES AND RECEIVABLES**

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

**EXPENDITURES AND PAYABLES**

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

**PAYROLL**

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

**HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC**  
**Statement on Auditing Standards No. 114 Letter**  
**Appendix A - Comments On Significant Internal Control Areas for**  
**LOWELL AREA SCHOOLS**  
**For the Year Ended June 30, 2008**

**CAPITAL ASSETS**

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

**DEBT AND DEBT SERVICE**

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

**GRANTS AND SIMILAR PROGRAMS**

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs
- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

**HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC**  
**Statement on Auditing Standards No. 114 Letter**  
**Appendix A - Comments On Significant Internal Control Areas for**  
**LOWELL AREA SCHOOLS**  
**For the Year Ended June 30, 2008**

**INFORMATIONAL TECHNOLOGY**

- Computer access is limited to specific persons and individuals have access only
  - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
  - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
  - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
  - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
  - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

**STUDENT ACTIVITY ACCOUNTS**

- **The Student Activity Fund should be used only for "student activities": those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.**

**LOWELL AREA SCHOOLS**  
**Kent and Ionia Counties, Michigan**

Auditor's Report On Compliance  
For Federal Grant Programs

For the year ended June 30, 2008

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### **LOWELL AREA SCHOOLS**

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Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

October 28, 2008

The Board of Education  
Lowell Area Schools  
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools, as of and for the year ended June 30, 2008, which collectively comprise Lowell Area School's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lowell Area School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lowell Area School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lowell Area School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education  
Lowell Area Schools  
October 28, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lowell Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Lowell Area Schools in a separate letter dated October 28, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldino, Nichols & Austin, P.C.*

Certified Public Accountants

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

October 28, 2008

The Board of Education  
Lowell Area Schools  
Kent County, Michigan

**Compliance**

We have audited the compliance of Lowell Area Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Lowell Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lowell Area School's management. Our responsibility is to express an opinion on Lowell Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lowell Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Lowell Area School's compliance with those requirements.

In our opinion, Lowell Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

The Board of Education  
Lowell Area Schools  
October 28, 2008

### *Internal Control Over Compliance*

The management of Lowell Area Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lowell Area School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lowell Area School's control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### *Schedule of Expenditures of Federal Awards*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 28, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Lowell Area School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldrin, Nichols & Carter, P.C.*

Certified Public Accountants

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2008

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
071530 0607		\$ 271,383
081530 0708		343,788
Total Title I		615,171
Title IIA:	84.367	
070520 0607		90,014
080520 0708		128,704
Total Title IIA		218,718
Title IID:	84.318	
0842900 0708		3,131
Title V:	84.298	
080250 0708		787
Service Provider Self Review:	84.027	
080440 0708		5,000
Total Passed Through MDE		842,807
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186A	
072860 0607 Program		4,905
082860 0708 Program		8,829
Total Safe and Drug Free Schools and Communities Act		13,734

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 107,760 —	\$ 262,387 —	\$ — 331,207	\$ 107,760 330,975	\$ — 232
107,760	262,387	331,207	438,735	232
14,746 —	54,420 —	— 93,805	14,746 89,962	— 3,843
14,746	54,420	93,805	104,708	3,843
—	—	3,131	3,131	—
—	—	787	787	—
—	—	751	—	751
122,506	316,807	429,681	547,361	4,826
— —	— —	4,905 1,339	4,905 1,339	— —
—	—	6,244	6,244	—

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****LOWELL AREA SCHOOLS**

For the year ended June 30, 2008

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 070450 0607		\$ 648,868
Flow Through – 080450 0708		675,062
		<hr/>
Total I.D.E.A. – Flow Through		1,323,930
		<hr/>
I.D.E.A. Transition:	84.027A	
Transition – 080490-TS		1,666
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 070460 0607		25,616
Preschool – 080460 0708		28,713
		<hr/>
Total I.D.E.A. – Preschool		54,329
		<hr/>
Total Special Education Cluster		1,379,925
		<hr/>
Total Passed Through KISD		1,393,659
		<hr/>
<b>Total U.S. Department of Education</b>		2,236,466
		<hr/>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District (KISD):		
School Based Medicaid:	93.778	
0607 Program		2,720
0708 Program		5,840
		<hr/>
<b>Total U.S. Department of Health and             Human Services</b>		8,560
		<hr/>
<b>Corporation for National and Community Service</b>		
Passed through Michigan Department of Human Services:		
Learn and Serve America School and Community Based Programs :	94.004	
0607 Program		24,500
0708 Program		24,500
		<hr/>
		49,000
		<hr/>

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 246,394 —	\$ 648,868 —	\$ — 675,062	\$ 246,394 452,982	\$ — 222,080
246,394	648,868	675,062	699,376	222,080
—	—	1,639	1,639	—
10,075 —	25,616 —	— 28,446	10,075 18,484	— 9,962
10,075	25,616	28,446	28,559	9,962
256,469	674,484	705,147	729,574	232,042
256,469	674,484	711,391	735,818	232,042
378,975	991,291	1,141,072	1,283,179	236,868
2,720 —	2,720 —	— 5,840	2,720 —	— 5,840
2,720	2,720	5,840	2,720	5,840
6,985 —	14,167 —	7,155 21,100	14,140 8,585	— 12,515
6,985	14,167	28,255	22,725	12,515

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****LOWELL AREA SCHOOLS**

For the year ended June 30, 2008

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	\$ 55,917
Section 11 – Free and Reduced – 1960		<u>251,286</u>
Total Lunches		<u>307,203</u>
Breakfast:		
Total Servings – 1970	10.553	4,588
Free and Reduced – 1970		<u>41,801</u>
Total Breakfast		<u>46,389</u>
Nutrition Cluster		<u>353,592</u>
U.S.D.A. Commodities:	10.550	
Bonus Commodities		73
Entitlement Commodities		<u>60,432</u>
Total U.S.D.A.		<u>60,505</u>
<b>Total U.S. Department of Agriculture (Passed through MDE)</b>		<u>414,097</u>
<b>Total Federal Financial Assistance</b>		<u><u>\$ 2,708,123</u></u>

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 55,917 251,286	\$ 55,917 251,286	\$ —
—	—	307,203	307,203	—
—	—	4,588	4,588	—
—	—	41,801	41,801	—
—	—	46,389	46,389	—
—	—	353,592	353,592	—
—	—	73	73	—
—	—	60,432	60,432	—
—	—	60,505	60,505	—
—	—	414,097	414,097	—
\$ 388,680	\$ 1,008,178	\$ 1,589,264	\$ 1,722,721	\$ 255,223



## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2008

#### **Section II – Financial Statement Findings**

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##### **Current Year Findings**

There were no findings that are required to be reported under *Government Auditing Standards*.

##### **Prior Year Findings**

Significant deficiency (Item 2007-1) in internal control over financial reporting:

- 2007-1 A lack of independent monitoring of certain accounting functions in the District business office (payroll operations, bank reconciliations) and of financial transactions occurring outside the business office (athletics, food service, student activities, tuition and fees).

Corrective action taken and finding has been cleared.

Significant deficiency (Item 2007-2) in internal control over financial reporting considered to be a material weakness:

District officials or employees who lack the knowledge and training to fulfill certain responsibilities:

- 2007-2 The lack of knowledge and skills present to apply Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) reporting standards in recording the District's financial transactions or preparing its financial statements (including Management's Discussion and Analysis and Notes to Basic Financial Statements) in compliance with current GAAP and GASB requirements.

Corrective action taken and finding has been cleared.

#### **Section III – Federal Award Findings and Questioned Costs**

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There were no findings or questioned costs.

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2008

**Note A** – This Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

**Note B** – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

**Note C** – The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with the SEFA for USDA donated food commodities.

### **Note D – Federal Income Reconciliation**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I	\$ 331,207	\$ 331,207	\$ —
Title IIA	93,805	93,805	—
Title IID	3,131	3,131	—
Title V	787	787	—
Service Provider Self Review	751	751	—
Safe and Drug Free Schools and Communities Act	6,244	6,244	—
Special Education Cluster	705,147	705,147	—
School Based Medicaid	5,840	5,840	—
Learn and Serve America School and Community	28,255	28,255	—
Nutrition Cluster	353,592	353,592	—
U.S.D.A. Commodities	60,505	60,505	—
	<b>\$ 1,589,264</b>	<b>\$ 1,589,264</b>	<b>\$ —</b>